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FINANCE LEADERS RELEASE HEALTH CARE REFORM POLICY OPTIONS

Baucus, Grassley will discuss potential options to reduce costs, improve patient care at Wednesday Finance Members meeting

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) today released policy options for reducing costs and improving quality in the health care delivery system ahead of a Wednesday Finance Members meeting to consider the options. At that meeting, Baucus and Grassley will “walk through” the potential policy options and solicit feedback from Members that will inform the creation of the subsequent proposals the Committee will consider for a comprehensive proposal. The Finance Leaders said the draft being released today will be the first of three sets of potential option papers, each covering a different topic area that members will discuss before a bipartisan Chairman’s Mark on comprehensive health care reform is developed. Each paper is intended to offer potential options for discussion and to provide an opportunity for other options to be offered and discussed.

“Everyone agrees that America’s health care system is broken,” said Baucus. **“Over the past year, I’ve been talking to members of the health care community and listening to innovative ideas about how to improve quality in the way health care is delivered to patients. The policy options Senator Grassley and I are releasing today put some meat on the bones of those ideas to strengthen our discussion moving forward. But nothing is set in stone. I look forward to a robust dialogue with my colleagues on these ideas in the coming months, as we work together to build the comprehensive health reform this country needs.”**

“We have escalating costs, inefficient delivery systems, and 47 million people who lack health coverage at some point during the year,” Grassley said. **“We need to make significant improvements to our health care delivery system. And we need to do it a fiscally responsible way. Over the last year, the Finance Committee has held a series of hearings on health care reform and a two-day summit. We’ve heard many witnesses tell us what’s wrong with the system and how they believe health care delivery could be improved. Some health care providers deliver higher quality care at a lower cost. The options for delivery reform are meant to take the best ideas from people who are doing things well and apply them everywhere we can.”**

The policy options released today focus on making the health care delivery system more effective, higher quality, and efficient. The options would create incentives for health care providers to focus on high quality care and to closely coordinate with a patient’s other doctors and providers. They would invest in the resources health care providers need to deliver care like technology and research. And they would promote quality and care management in Medicare Advantage, and reduce fraud, waste, and abuse in the Medicare program.

Baucus and Grassley said policy options for increasing health care coverage and financing health care reform will be released following the roundtable discussions on those topics. The Finance Leaders have said they intend to mark-up comprehensive health care reform legislation as early as June. A summary of the policy options released today follows here. All policy options can be found on the Finance Committee website at <http://www.finance.senate.gov/sitepages/leg/LEG%202009/042809%20Health%20Care%20Description%20of%20Policy%20Option.pdf>. Public comments should be directed to Health_Reform@finance-dem.senate.gov. The deadline for public comments on the delivery system reform policy options is May 15, 2009.

Reducing Costs and Improving Quality in the Health Care Delivery System

Promoting Quality Care – Medicare currently reimburses health care providers on the basis of the volume of care they provide. For every test, scan, or procedure conducted, providers receive payment – regardless of whether the treatment contributes to helping a patient recover. Medicare must move to a system that reimburses health care providers based on the quality of care they provide.

The policy options would shift Medicare from volume-based purchasing to value-based purchasing. Under value-based purchasing, Medicare would provide new payment incentives for care that contributes to positive patient outcomes. The policy options would establish a value-based purchasing program for hospitals starting in FY 2012, direct CMS to develop plans to establish value-based purchasing programs for home health and skilled nursing facility providers by 2012, strengthen and expand programs that will eventually lead to value-based purchasing for doctors, reduce inappropriate ordering of imaging services like CT scans and MRIs, and start inpatient rehabilitation and long-term care hospital providers on a path toward value-based purchasing program.

Promoting Primary Care – Primary care doctors are vital to reducing costs and improving quality in the health care system. Primary care doctors provide preventive care, help patients make informed medical decisions, serve a critical care management role, and help coordinate with other doctors. Despite their critical function, primary care doctors receive significantly lower Medicare payments than other doctors, which has led to a shortage of primary care doctors.

To encourage more primary care doctors to be part of the system, the policy options would provide primary care practitioners and targeted general surgeons with a Medicare payment bonus of at least five percent for five years, and provide Medicare payment to primary care practices that provide specific transitional care services for beneficiaries with high cost, chronic illnesses.

Fostering Care Coordination and Provider Collaboration – Today, many doctors want to spend more time working together, but report that current payment systems often discourage care coordination. When providers in different settings, like doctor's offices, hospitals, nursing homes, and rehabilitation facilities work together, patients can get well sooner and costs in the system are lower.

Chronic Care Management - to encourage chronic care management, the policy options will foster innovation by allowing broad-scale Medicare pilot programs of patient-centered care

coordination models for the chronically ill that improve quality and reduce spending, and allow preliminary rapid-cycle Medicare testing of evidence-based care management and coordination models across various settings to determine best models for success.

Provider Collaboration - to encourage hospitals and other health care providers to work together, the policy options will provide Medicare payment incentives to hospitals that reduce preventable hospital readmissions, and provide a single bundled Medicare payment for acute and post-acute episodes of care.

Payment for Accountable Care - to incentivize providers to improve patient care and reduce costs by offering patients access to care at a wide range of health care providers and settings, the policy options would address the impending cuts to physician reimbursement rates, allow high-quality providers to share in savings they achieve to the Medicare program through increased collaboration, and expand Medicare participation in community-level health care delivery system reforms.

Infrastructure Investments: Tools to Support Delivery System Reform – Efforts to reduce costs and improve quality in the health care delivery system will require equal efforts to modernize the system with new tools that support coordinated quality care. Investments in the health care infrastructure are essential to creating a more effective, efficient delivery system.

Health Information Technology - the policy options would invest in the health care infrastructure by encouraging wide-spread adoption and meaningful use of health information technology (IT) by extending Medicare Health IT incentives to other providers not included in American Recovery and Reinvestment Act passed earlier this year.

Quality Measure Development - the policy options will focus on quality measure development by requiring the Department of Health and Human Services to partner with stakeholders to develop a national quality improvement plan and encouraging development of next generation quality measures that are aligned with delivery system reform goals like, for example, measuring care coordination for chronically ill.

Research and Information - the policy options would invest in research on what treatments work best for which patients and ensure that information is available and accessible to patients and doctors, such as through the establishment of an independent institute to research the effectiveness of different health care treatments and strategies.

Transparency - to increase transparency, the policy options would provide patients with information about physician-industry relationships, close loopholes in physician self-referral laws that allow conflicts of interest, and provide patients and families with more information about nursing home facilities to help them make better decisions.

Health Care Workforce - ensuring America's health care system has a sufficient supply of health care professionals to meet the demands of a changing and aging population is essential to maintaining focus on high-quality, cost efficient care. To strengthen the health care workforce, the policy options would increase graduate medical education (GME) training positions for primary care and implement other immediate modernizations to the Medicare GME program, and develop a proposal that requires Health and Human Services to work with external

stakeholders to develop and implement a national workforce strategy, in conjunction with the Senate Health, Education, Labor and Pensions Committee.

Medicare Advantage: Promoting Quality, Efficiency, and Care Management – Private insurers that participate in Medicare should bring value to the program and to beneficiaries. Health care reform should ensure payments to private insurers in the Medicare Advantage program bring high quality, efficient plans into the Medicare program. The policy options would use current measures to pay plans for quality improvement, change statutory benchmarks or set benchmarks based on competitive plan bids, provide a bonus payment to Medicare Advantage plans that use evidence-based programs to manage care of the chronically ill, and allow plans to continue to offer extra benefits, but reducing wide variation among plans.

Combating Fraud, Waste, and Abuse – Reducing fraud, waste, and abuse in Medicare will reduce costs and improve quality throughout the system. The Medicare improper payment rate for 2008 was 3.6 percent, or \$10.4 billion, and the National Health Care Anti-Fraud Association estimates that fraud amounts to at least three percent of total health care spending, or more than \$60 billion per year. The policy options combat fraud, waste, and abuse by enhancing the review of health care providers prior to granting billing privileges, leveraging technology to better evaluate claims, educating providers to promote compliance with program requirements, monitoring programs more vigilantly, and penalizing fraudulent activity swiftly and sufficiently.

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